[Article 1 starts on page 13]

[Article 1 starts on page 13]

certain aspects of the copyright protection provided for databases and creates an exclusive *sui generis* right for the makers of databases. The general objective of this right is to protect the investment of time, money and effort by the maker of a database, irrespective of whether the database is in itself innovative. According to the Directive, a database is protected if there has been a substantial investment, in qualitative or quantitative terms, in obtaining, verifying or presenting the contents of the database. The duration of the protection provided by the Directive is 15 years. The date by which the Member States of the European Union must implement the Directive in their national legislation is January 1, 1998. The proposal submitted by the European Community and its Member States for the February 1996 session of the Committees of Experts follows closely the substantive provisions of this Directive.

1.08 In May 1996, a bill was introduced in the United States Congress (H.R. 3531) that would amend title 15 of the United States Code to create a new federal statute for database protection. The proposed "Database Investment and Intellectual Property Antipiracy Act of 1996" is aimed at preventing actual or threatened competitive injury by the misappropriation of databases or their contents; it is not targeted at non-competitive uses. A database would be subject to protection under the Act if the collection, assembly, verification, organization or presentation of the database contents were the result of a qualitatively or quantitatively substantial investment of human, technical, financial or other resources.

1.09 An important part of the background to the United States bill was the United States Supreme Court decision in *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.* 499 U.S. 340 (1991). The bill was introduced in the U.S. Congress with the statement that "While reaffirming that most — although not all — commercially significant databases satisfy the 'originality' requirement for protection under copyright, the Court [in *Feist*] emphasized that this protection is 'necessarily thin'. Several subsequent lower court decisions have underscored that copyright cannot stop a competitor from lifting massive amounts of factual material from a copyrighted database to use as the basis for its own competing product."

1.10 The United States bill draws on the fundamental elements of the European Directive and is parallel to its Trans-Atlantic counterpart in its most crucial points. The most significant difference between the United States bill and the European Directive is that the former proposes a 25-year term of protection. When the bill was introduced, its sponsors emphasized that the existing protection for databases afforded by copyright and contract law would not be affected. The bill is intended to supplement these legal rights, not replace them. Furthermore, it was emphasized that the bill avoids conferring any monopoly on facts. The bill is intended to be fully consistent with the proposal on *sui generis* protection of databases which was submitted by the Delegation of the United States of America for the May 1996 sessions of the Committees of Experts (document BCP/CE/VII/2-INR/CE/VI/2).

1.11 The proposed Treaty is based on the aforementioned proposals made by the European Community and its Member States and by the United States of America, taking into account discussions within the Committees of Experts. The scope of the proposed Treaty is laid down in the provisions of Article 1 in a manner that is fully consistent with these proposals.

[Article 1 starts on page 13]

[Article 1 starts on page 13]

1.12 Paragraph (1) identifies the protected subject matter and sets out the general condition for protection. The protected subject matter is databases. The condition for protection is that a substantial investment has been made in the formation of the database. The expressions "database" and "substantial investment" are defined in Article 2.

1.13 Paragraph (2) makes it clear that protection shall be granted to databases irrespective of the form or medium in which they are embodied. Protection extends to databases in both electronic and non-electronic form. Moreover, this wording embraces all forms or media now known or later developed. Paragraph (2) also makes it clear that protection shall be granted to databases regardless of whether they are made available to the public. This means that databases that are made generally available to the public, commercially or otherwise, as well as databases that remain within the exclusive possession and control of their developers enjoy protection on the same footing.

1.14 Paragraph (3) expresses the principle that the protection accorded by the proposed Treaty is independent of any other form of protection. The protection would therefore be of a new or independent nature. Consequently, the proposed Treaty provides cumulative protection by the attachment of different rights to the database or to its contents. It should be pointed out that the proposed new protection does not replace any of the existing forms of protection that apply to databases or their contents.

1.15 Paragraph (4) provides that protection does not extend to any computer programs as such. A computer program is a set of programming instructions that may cause a computer to perform certain functions or achieve certain results. A computer program can include collections of data or other materials that are not part of the set of instructions that form the operative core of the computer program. According to the proposed Treaty, such databases incorporated in computer programs are protected in the same way as any other databases.

[End of Notes on Article 1]

# Article 1

## Scope

(1) Contracting Parties shall protect any database that represents a substantial investment in the collection, assembly, verification, organization or presentation of the contents of the database.

(2) The legal protection set forth in this Treaty extends to a database regardless of the form or medium in which the database is embodied, and regardless of whether or not the database is made available to the public.

(3) The protection granted under this Treaty shall be provided irrespective of any protection provided for a database or its contents by copyright or by other rights granted by Contracting Parties in their national legislation.

(4) The protection under this Treaty shall not extend to any computer program as such, including without limitation any computer program used in the manufacture, operation or maintenance of a database.

[End of Article 1]

**Notes on Article 2**

2.01 Article 2 contains definitions of the key terms used in the proposed Treaty.

2.02 Item (i) defines the term "database". The term should be understood to include collections of literary, musical or audiovisual works or any other kind of works, or collections of other materials such as texts, sounds, images, numbers, facts, or data representing any other matter or substance. It is worth pointing out that in addition to many kinds of works and other information materials, databases may contain collections of expressions of folklore.

2.03 In a database, the works or other materials are systematically or methodically arranged, and each of these works or other materials can be individually accessed by electronic or other means. It is not necessary that the materials in a database be stored physically in an organized manner. The arrangement of the materials may be laid down in the addresses and indexes of the material that make it possible to directly access any of the materials in a systematic or methodical way. The requirement that the contents of a database be independent works, data or other materials, and that items in the database are individually accessible excludes any recording of an audiovisual, cinematographic, literary or musical work as such from the definition of a database and the protection of this proposed Treaty.

2.04 The term "collection" has been used in the definition of the term "database", whereas the term "compilation" is used in Article 10.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (hereinafter referred to in these Notes as the TRIPS Agreement) concerning copyright protection for databases. The term "collections" has been used in Article 2(5) of the Berne Convention, defining the copyright protection available for collections of works, and in Article 5 of the draft "Treaty on Certain Questions Concerning the Protection of Literary and Artistic Works". It is not intended that the proposed Treaty make any distinction between the two terms; rather, the proposed Treaty, compared to the Berne Convention, adds certain conditions for protection and removes others.

2.05 Item (ii) defines the term "extraction" as meaning the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form. The act of extraction is the transfer of some material to another medium; the original material on the medium in which the database is embodied remains on that medium. In this sense, the term "extraction" is a synonym for "copying" or "reproduction". The expression "another medium" does not refer to any particular medium. Transfer to the same type or any other type of medium, device, instrument or contrivance capable of recording the transferred material, is a transfer within the meaning of this provision. Reference in the provision to "any means" or "any form" is meant to cover all means and forms now known or later developed.

2.06 According to item (iii), the "maker of the database" means the natural or legal person or persons with control and responsibility for the undertaking of a substantial investment in making a database. The expression "control and responsibility for the undertaking of a substantial investment" is intended to exclude the possibility that the protection of the proposed Treaty might flow to the employees who execute the tasks required to produce a database; it is clear that the rights and protection flow to their employer, be it a company,

# Article 2

## Definitions

For the purposes of this Treaty:

(i) "database" means a collection of independent works, data or other materials arranged in a systematic or methodical way and capable of being individually accessed by electronic or other means;

(ii) "extraction" means the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form;

(iii) "maker of the database" means the natural or legal person or persons with control and responsibility for the undertaking of a substantial investment in making a database;

[Article 2 continues]

enterprise or other organization, which makes the investment. Likewise, the definition excludes subcontractors who may be commissioned to execute such tasks. In the same way that the term "author" in the Berne Convention applies to the successors in title of the author, the term "maker of a database" applies to the successors in title of the maker of a database. The successors in title of the maker of a database enjoy the full protection of the proposed Treaty.

2.07 Item (iv) defines the term "substantial investment". The investment may be in human, financial, technical or other resources essential to the production of a database. The human resources may, in addition to the "sweat of the brow", consist of the contribution of ideas, innovation and efforts that add to the quality of the product. The protection of a database does not, however, depend upon innovation or quality; mere investment is sufficient. The fact that the main requirement for protection is investment does not, however, reduce the value of the proposed system of protection since it also encourages innovation as well as industrious efforts in the production of databases. The investment must be sufficient, or "substantial", to qualify the database for protection. The substantiality requirement has been characterized in the expression "qualitatively or quantitatively significant"; this expression should be understood to mean qualitatively, quantitatively or both together. The measurement of significance must be based on objective criteria. In any dispute, it is the burden of the maker of the database to demonstrate the necessary investment.

2.08 The activities listed in Article 1(1) that may comprise the investment are the collection, assembly, verification, organization or presentation of the contents of the database. In practice, these are the steps in the production of a database that are most likely to involve substantial investments. A substantial investment in any one of the listed activities will fulfil the requirements for protection. It is recognized that "collection" and "assembly" are often interlinked, and "organization" and "presentation" of the contents may take place simultaneously. Any subsequent verification or re-verification is considered to be "verification" in the sense of Article 1(1).

2.09 Item (v) defines the term "substantial part". The substantiality of any portion of the database is assessed against the value of the database. This assessment should evaluate the qualitative and quantitative aspects of the portion, although neither aspect is more important than the other. As noted in connection with item (iv), "qualitatively or quantitatively" must be understood to mean either or both together. The value of the database refers to its commercial value. This value consists on one hand of direct investments made in the database and on the other hand of the market value or expected market value of the database. This assessment may also take into account the diminution in market value that may result from the use of the portion, including the added risk that the investment in the database will not be recoverable. It may even include an assessment of whether a new product using the portion could serve as a commercial substitute for the original, diminishing the market for the original.

2.10 According to item (v), "substantial part" means any portion of the database, "including an accumulation of small portions". In practice, repeated or systematic use of small portions of the contents of a database may have the same effect as extraction or utilization of a large, or substantial, part of the contents of the database. This construction is intended to ensure the effective functioning of the right and to avoid misappropriation.

(iv) "substantial investment" means any qualitatively or quantitatively significant investment of human, financial, technical or other resources in the collection, assembly, verification, organization or presentation of the contents of the database;

(v) "substantial part", in reference to the contents of a database, means any portion of the database, including an accumulation of small portions, that is of qualitative or quantitative significance to the value of the database;

2.11 In item (vi) a definition is provided for the term "utilization". Utilization is a broad concept that covers all forms of making a database or its contents available to the public. It comprises both tangible and intangible dissemination and diffusion, including the distribution of physical copies and all forms of transmission by wire or wireless means. Utilization covers the making of a database available to the public by both on-line and "local" means; it encompasses interactive on-line, on-demand operations where members of the public have access to the database at a place and at a time individually chosen by them, and it encompasses such local means as showing, "playing", demonstrating or otherwise making the contents of a database (such as a CD-ROM) perceptible to the public, even when no transmission is involved. Broadcasting and cable transmissions, whether subscription-based or not, may also be utilization of a database.

2.12 The term "public" has been used in the provision. The purpose for this is to make a distinction between relevant utilization and non-relevant communication between private parties. Utilization includes making available to the public by any means. No list of examples can be exhaustive. The expression "any means" includes all means now known or later developed. A database may be made available to the public even in the absence of any direct or indirect commercial advantage or financial gain.

[End of Notes on Article 2]

(vi) "utilization" means the making available to the public of all or a substantial part of the contents of a database by any means, including by the distribution of copies, by renting, or by on-line or other forms of transmission, including making the same available to the public at a place and at a time individually chosen by each member of the public.

[End of Article 2]

## Notes on Article 3

3.01 <u>Paragraph (1)</u> contains the most important operative provision of the proposed Treaty. It accords to the maker of a database the right to authorize or prohibit the relevant acts of extraction and utilization. The right is by its nature an exclusive right. The contents of the provision have, to a great extent, already been determined by the definitions of "extraction", "substantial part" and "utilization" in Article 2.

3.02 The protection provided does not preclude any person from independently collecting, assembling or compiling works, data or materials from any source other than a protected database.

3.03 The right of utilization granted to the maker of a database covers, according to the definition of "utilization", the making available to the public of all or a substantial part of the contents of a database *inter alia* by the distribution of copies. <u>Paragraph (2)</u> allows Contracting Parties to provide for the exhaustion of the right of distribution on a national basis.

3.04 If it is possible for regional economic integration areas with their own legislation in this field to become parties to the Treaty the effect of the exhaustion of the right of distribution may be regional. The territories of such Contracting Parties consist of the territories of their member countries. There is thus no need to make separate mention of regional economic integration areas.

[End of Notes on Article 3]

# Article 3

## Rights

(1) The maker of a database eligible for protection under this Treaty shall have the right to authorize or prohibit the extraction or utilization of its contents.

(2) Contracting Parties may, in their national legislation, provide that the right of utilization provided for in paragraph (1) does not apply to distribution of the original or any copy of any database that has been sold or the ownership of which has been otherwise transferred in that Contracting Party's territory by or pursuant to authorization.

[End of Article 3]

**Notes on Article 4**

4.01 <u>Paragraph (1)</u> determines the first owner of the rights provided for in this Treaty. The expression "maker of the database" has been used in singular form in many provisions of the proposed Treaty. This expression must be understood to include its plural wherever there has been more than one maker of a database. When the rights in respect of a database belong to several makers, they own the rights jointly and the authorization of each rightholder is necessary for the extraction or utilization of a substantial part of the database. Likewise, when there is joint ownership of rights in a database, the consent of each of the rightholders is necessary for the assignment, transfer or licensing of the database.

4.02 <u>Paragraph (2)</u> provides that the rights established by the proposed Treaty are freely transferable. No limitations apply to this freedom of contract. National laws, of course, may impose certain requirements in connection with contracts generally, such as a requirement that they be embodied in written documents. Requirements of this type may also be imposed in connection with contracts concerning rights in databases.

4.03 A transferee of rights under paragraph (2) may enjoy all the same protection as the original maker of the database. The maker of a database may transfer all of the rights he has therein.

[End of Notes on Article 4]

## Article 4

## Rightholders

(1) The rights provided under this Treaty shall be owned by the maker of the database.

(2) The rights provided under this Treaty shall be freely transferable.

[End of Article 4]

**Notes on Article 5**

5.01 According to paragraph (1), Contracting Parties may provide, in their national legislation, exceptions to or limitations of the rights provided in this Treaty. This freedom is limited by the criteria originally introduced in Article 9(2) of the Berne Convention. First, the criteria permit exceptions only in certain special cases. Second, the exceptions may never conflict with normal exploitation of the database, and third, the exceptions may not unreasonably impair or prejudice the legitimate interests, including economic interests, of the rightholder. The provisions of paragraph (1) allow limitations on the rights of both extraction and utilization.

5.02 Paragraph (2) sets forth a specific rule permitting national legislation to determine whether and how to protect databases made by governmental entities, their agents and employees.

5.03 The rights and exceptions in the proposed Treaty are norms for minimum protection. Article 5 does not preclude national legislation that imposes stricter or narrower rules in respect of exceptions. For example, a Contracting Party may enact national legislation that excludes any limitation of the right to extract the contents of a database in electronic form for private purposes.

[End of Notes on Article 5]

## Article 5

## Exceptions

(1) Contracting Parties may, in their national legislation, provide exceptions to or limitations of the rights provided in this Treaty in certain special cases that do not conflict with the normal exploitation of the database and do not unreasonably prejudice the legitimate interests of the rightholder.

(2) It shall be a matter for the national legislation of Contracting Parties to determine the protection that shall be granted to databases made by governmental entities or their agents or employees.

[End of Article 5]

**Notes on Article 6**

6.01 According to paragraph (1), the benefit of protection is granted to nationals of Contracting Parties. According to the provisions of Article 7(4) makers of databases who have their habitual residence in a Contracting Party are assimilated to nationals of that Contracting Party.

6.02 By a reference to the provisions of paragraph (1)paragraph (2) contains a provision laying down the same principle for the benefit of companies, firms and other legal entities having certain points of attachment to a Contracting Party. The expression "companies, firms and other legal entities" is intended to cover all companies, firms, corporations, unions, associations, non-profit institutions and other legal persons.

6.03 Protection is given to the persons identified in paragraph (1) and paragraph (2) if they meet the criteria set forth in those provisions at the time of the making of the database, which is the moment when the database meets the requirements of Article 1(1).

[End of Notes on Article 6]

# Article 6

## Beneficiaries of Protection

(1) Each Contracting Party shall protect according to the terms of this Treaty makers of databases who are nationals of a Contracting Party.

(2) The provisions of paragraph (1) shall also apply to companies, firms and other legal entities formed in accordance with the laws of a Contracting Party or having their registered office, central administration or principal place of business within a Contracting Party; however, where such a company, firm or other legal entity has only its registered office in the territory of a Contracting Party, its operations must be genuinely linked on an on-going basis with the economy of a Contracting Party.

[End of Article 6]

**Notes on Article 7**

7.01 Article 7 contains rules on national treatment and independence of protection. The provisions closely follow the corresponding clauses in Article 5 of the Berne Convention. In accordance with the language in Article 6, these rules refer to the Contracting Party of which the maker of a database is a national, whereas the Berne Convention refers to the country of origin which is defined in the Convention.

7.02 It is proposed that global and unlimited national treatment shall be applied to the rights granted in the proposed Treaty. Paragraph (1) sets out the fundamental principle of national treatment, which is modelled on Article 5(1) of the Berne Convention. In addition, paragraph (1) guarantees all the rights specially granted by this Treaty in a manner similar to the aforementioned clause of the Berne Convention.

7.03 Paragraph (2) contains the rule governing protection of the maker of a database in the Contracting Party of which he is a national. Such protection shall be governed by national legislation. The provision follows the principle of the first sentence of Article 5(3) of the Berne Convention.

7.04 Paragraph (3) adds a provision on independence of protection. This provision corresponds to the language of Article 5(2) of the Berne Convention.

7.05 Paragraph (4) contains a provision according to which the criterion of habitual residence is assimilated to the criterion of nationality for the purposes of the proposed Treaty.

[End of Notes on Article 7]

## Article 7

## National Treatment and Independence of Protection

(1) The maker of a database shall enjoy in respect of the protection provided for in this Treaty, in Contracting Parties other than the Contracting Party of which he is a national, the rights which their respective laws do now or may hereafter grant to their nationals as well as the rights specially granted by this Treaty.

(2) Protection of a database in the Contracting Party of which the maker of the database is a national shall be governed by national legislation.

(3) The enjoyment and the exercise of rights under this Treaty shall be independent of the existence of protection in the Contracting Party of which the maker of a database is a national. Apart from the provisions of this Treaty, the extent of protection, as well as the means and extent of redress, shall be governed exclusively by the laws of the Contracting Party where protection is claimed.

(4) Makers of databases who are not nationals of a Contracting Party but who have their habitual residence in a Contracting Party shall, for the purposes of this Treaty, be assimilated to nationals of that Contracting Party.

[End of Article 7]

**Notes on Article 8**

8.01 The intellectual property protection provided for in the proposed Treaty is limited in duration. Provisions on the term of protection are found in Article 8. Two alternatives are offered in the Article concerning the term of protection Alternative A follows the proposal made by the United States of America (document BCP/CE/VII/2-INR/CE/VI/2) according to which the term of protection would be at least 25 years, calculated according to Article 6 of that proposal. Alternative B is based on the term of 15 years proposed by the European Community and its Member States (document BCP/CE/VI/13).

8.02 The determination of the proper duration of any form of intellectual property protection is bound to depend on many factors, including the nature of the subject matter protected, the prevailing economic and technical circumstances and the interests of rightholders, users and society at large. In the case of databases, the need for protection in the first instance is connected to the ability of makers of databases to recover the investment they make in a database. The economic life-span of different databases varies depending on their content and the structure of the marketplace. For dynamic databases that are constantly changed and developed, a shorter term of protection could be justified. New versions may be protected under the proposed Treaty and old versions rapidly become outdated and useless. In the case of static databases, such as encyclopaedic, historical and cartographic databases, protection may be needed for a longer period of time. Indeed, the recovery of the heavy investments required by the production of such databases may justify or even necessitate a longer term of protection. For practical reasons, it would be advisable to adopt a single term of protection for all types of databases.

8.03 The 25-year and 15-year alternatives are found in paragraph (1) and paragraph (2) of Article 8. The decision on the term of protection has been left to the Diplomatic Conference.

8.04 In paragraph (1), it is proposed that the calculation of the term of protection should start from the time when the database first meets the requirements of Article 1(1). It is proposed that the term of protection laid down in the proposed Treaty would be a minimum term of protection. This is indicated by the words "at least" in the provision. As is customary in the field of copyright, it is proposed that the rights would endure for a fixed number of years starting from January 1 of the year following the date when the database first met the above-mentioned requirements.

8.05 According to the provisions of paragraph (2), the calculation of the term of protection would start from the date when the database was first made available to the public, if the database is made available to the public in any manner before the expiration of the term provided for in paragraph (1).

8.06 Paragraph (3) establishes the principle that when a database is substantially changed it becomes a new database, entitled to its own term of protection. The substantiality of the change is to be evaluated qualitatively, quantitatively or both qualitatively and quantitatively. The kinds of changes that will lead to the formation of a new database with its own term of protection are those substantial changes in the contents of the database that involve a new substantial investment. Such changes may result from an accumulation of successive acts, such as those included in the non-exhaustive list in the provision.

[End of Notes on Article 8]

# Article 8

## Term of Protection

(1) The rights provided for in this Treaty shall attach when a database meets the requirements of Article 1(1) and shall endure for at least

*Alternative A:* 25

*Alternative B:* 15

years from the first day of January in the year following the date when the database first met the requirements of Article 1(1).

(2) In the case of a database that is made available to the public, in whatever manner, before the expiry of the period provided for in paragraph (1), the term of protection shall endure for at least

*Alternative A:* 25

*Alternative B:* 15

years from the first day of January in the year following the date when the database was first made available to the public.

(3) Any substantial change to the database, evaluated qualitatively or quantitatively, including any substantial change resulting from the accumulation of successive additions, deletions, verifications, modifications in organization or presentation, or other alterations, which constitute a new substantial investment, shall qualify the database resulting from such investment for its own term of protection.

[End of Article 8]

**Notes on Article 9**

9.01 <u>Article 9</u> sets forth the principle of formality-free protection. The protection provided for in the proposed Treaty may not be subject to registration, notice, marking, or any other formality.

[End of Notes on Article 9]

# Article 9

# Formalities

The enjoyment and exercise of the rights provided for in this Treaty shall not be subject to any formality.

[End of Article 9]